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RUEHBU/AMEMBASSY BUENOS AIRES 4450
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STATE FOR WHA/AND
COMMERCE FOR JANGLIN
TREASURY FOR SGOOCH

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TAGS: [EMIN](#) [EINV](#) [ECON](#) [PREL](#) [PGOV](#) [BL](#)
SUBJECT: MINING COMPANIES BRACE FOR ROYALTY AND TAX
DECISIONS

REF: LA PAZ 1289

¶1. (SBU) Summary: U.S.-owned mining company representatives said July 24 that they remained concerned by the GOB's failure to make royalty and tax decisions. While officials have repeatedly said the government will not act on President Morales' promises to nationalize Bolivia's mining industry (reftel), they have confirmed plans to modify the mining code. U.S. firms complain that uncertainty complicates even short-term decisions, but given the GOB's reluctance to provide specifics, investors may have to wait some time for clarity. End summary.

¶2. (SBU) In a July 24 meeting with the Ambassador, Apex Silver representatives said they remained concerned by the GOB's failure to make royalty and tax decisions. President and CEO Jeffrey Clevenger said the firm would move ahead with its USD 800 million San Cristobal silver-lead-zinc mine but noted that GOB delays in announcing higher royalties and taxes made long-term planning difficult. If the firm were not spending USD 1 million a day and were not at a point of no return, Clevenger remarked, executives would consider halting the project. Coeur d'Alene executives told Econoff July 24 that they were hoping for GOB clarification before deciding whether to pursue the firm's USD 180 million San Bartolome silver mine, which has been on hold for nearly 18 months.

¶3. (SBU) While GOB officials have repeatedly said the government will not act on President Morales' promises to nationalize Bolivia's mining industry (reftel), they have confirmed plans to modify the mining code to incorporate higher taxes and royalties. Mining Minister Walter Villarroel recently sent U.S. companies a letter promising not to nationalize the mining sector, and Minister of the Presidency Juan Ramon Quintana echoed that statement in a July 25 meeting with Apex Silver representatives. Quintana said, however, that the GOB would make "moderate, intelligent" changes to the mining code and indicated that

companies should expect news within the next 90 days. According to one Apex executive, Quintana bluntly asserted that the "rules of the game" would change.

14. (SBU) Comment: U.S. firms complain that uncertainty complicates even short-term decisions, but given the GOB's reluctance to provide specifics, investors may have to wait some time for clarity, particularly since GOB efforts to build consensus among cooperatives, unions, and firms show little sign of yielding quick results. While some companies may be prepared to bear the risks of investing in Bolivia's mining sector - Japan's Sumitomo is apparently considering a "strategic alliance" with Apex - others, like Coeur d'Alene, prefer to delay investment decisions. Continued uncertainty can only harm a sector expected to play a key role in boosting economic growth. End comment.
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